

BILL # HB 2625

TITLE: parental educational choice grant program

SPONSOR: Biggs

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

The bill would provide “parental educational choice grants” to pupils who want to attend private school, starting with pupils in Kindergarten, Grade 1 and Grade 12 in FY 2007 and phasing in all other grades by FY 2011. For FY 2007, the grant amount provided per pupil would equal \$3,500 per elementary school pupil and \$4,500 per high school pupil, or the total cost of tuition and fees charged by the pupil’s private school, whichever is less. For FY 2008 and each subsequent year, the per pupil grant amount would increase by the lesser of 2% or the annual change in the GDP price deflator. Pupils in Grades 2-12 would be eligible for grants only if they received one for the prior school year or attended a public school for at least 90% of that year. All Kindergarten and 1st Grade pupils would be eligible for grants under the bill regardless of their prior year grant or attendance status.

Estimated Impact

The JLBC Staff estimates that the bill would have a significant cost, at least in the short run. The bill’s ultimate net impact would depend on whether enough public school students transferred to private schools to generate sufficient General Fund K-12 savings to offset the cost of providing grants to pupils who would have attended private schools even without the bill. Choice grants for the latter group of pupils are estimated to cost \$25 million in FY 2007 and increase over the next 11 years (as one new cohort of Kindergartners was added each year) to a total of \$225 million in FY 2018.

The bill would be cost neutral in year one (FY 2007) if about 21,000 students left the public school system for private education. Since the current capacity of private schools is 45,000, a one year increase of that magnitude seems unlikely. Private schools would be more likely to build substantial new capacity over time, but would still need to expand by 150,000 students in order to achieve cost neutrality for the bill by FY 2018.

Analysis

We estimate that the bill would be “cost neutral” if about 21,000 pupils transferred out of public schools in FY 2007 and if this total increased cumulatively to about 150,000 pupils in FY 2018. A savings would occur for each pupil transferring out of public schools because each of them would receive about 24% less funding in private versus public schools under the bill. We estimate that approximately 1,022,000 Average Daily Membership pupils would attend public schools apart from the bill in FY 2006.

The National Center for Educational Statistics reports that Arizona currently has about 45,000 private school pupils. Our “cost neutral” estimates for the bill assume that virtually all Kindergarten and 1st Grade pupils who would enter private school each year apart from the bill would seek grants under it for their first year in private school and for each subsequent year thereafter, since this would eliminate or greatly reduce their parents’ out of pocket costs for private school tuition and fees.

Input from county school superintendents suggests that Arizona also currently has about 22,000 home schooled pupils. Our estimates assume, as a very rough guess, that about 10% of eligible (Kindergarten and 1st Grade only) home school pupils in FY 2007 would apply for grants under the bill. (Twelfth Graders transferring out of public schools also would be eligible for grants in FY 2007, but this would not apply to private or home schooled pupils.) The 10% estimate is highly speculative and assumes that parents of most home school pupils would continue to prefer home school instruction to private school instruction, even if the latter were free, or that they would not have convenient access to a private school of their choosing.

Analysis (Cont'd)

Based on current trends, we assume that Arizona's private school population would remain at about 45,000 per year apart from the bill and that the statewide home school population would grow about 3% per year.

Estimated Number of Grants for Current Private and Home School Pupils

Under the phase-in schedule prescribed in the bill, we estimate that about 15% of private and home school pupils would be eligible for grants in FY 2007, when only pupils in Kindergarten & 1st Grade would qualify (plus 12th Graders transferring out of public schools). We estimate that the private and home school eligibility percentage would increase to 23% in FY 2007, as the original 1st Grade cohort moved to 2nd Grade and remained eligible for grants because they received one in the prior year, and a new Kindergarten cohort was added. The process of adding one additional cohort of eligible private and home school Kindergartners would then continue each year through 2018, at which time the original cohort of grant-funded 1st Graders from FY 2007 would be high school seniors. This analysis implies that about 7,300 private and home school pupils would receive grants under the bill in FY 2007 (45,000 private school pupils X 15.4% eligible X 100% participation rate + 24,000 home school pupils X 15.4% eligible X 10% participation rate = 7,300 grant pupils). This total would increase to about 11,000 pupils in FY 2008 and grow to 48,000 pupils in FY 2018 under our analysis.

Grant Cost for Eligible Private and Home School Pupils

The bill states that for FY 2007 the grant amount provided per pupil (private, home school or public transfer) would equal \$3,500 per elementary school pupil and \$4,500 per high school pupil, or the total cost of tuition and fees charged by the pupil's private school, whichever is less. For FY 2008 and each subsequent year, the grant amount per pupil would increase by the lesser of 2% of the annual change in the GDP price deflator. Based on these parameters, we estimate that the average grant amount provided to each eligible private or former home schooled student under the bill would be \$3,500 for FY 2007, \$3,570 for FY 2008, and grow to \$4,725 for FY 2018.

Using these per pupil amounts, we estimate that grants for eligible private and home school pupils would cost about \$25 million in FY 2007 (7,300 grants X \$3,500 per grant), \$39 million in FY 2008 (11,000 grants X \$3,570 per grant), and grow to \$225 million in FY 2018 (48,000 grants X \$4,725 per grant).

Cost Neutral Scenarios

The estimates described above suggest that the bill would be "cost neutral" if about 21,000 public school pupils transferred to private schools under the bill in FY 2007. For subsequent years we estimate that cost neutrality for the bill would be achieved if the number of cumulative public school transfers equaled about 32,000 pupils in FY 2008 and grew to 150,000 pupils in FY 2018. These estimates assume that the savings per public school transfer would equal \$1,200 for FY 2007, \$1,224 for FY 2008, and \$1,492 for FY 2018.

School Facilities Board Costs

The bill potentially could reduce School Facilities Board (SFB) costs for new school construction and building renewal pursuant to A.R.S. § 15-2041 and A.R.S. §15-2031, which could help offset the cost of grants under the bill. New school construction costs would decrease if the SFB approved fewer new schools because of reduced enrollment growth under the bill. This would reduce SFB building renewal costs as well because fewer school buildings would require funding under that formula.

The amount and timing of new construction and building renewal savings under the bill is difficult to predict because only growing school districts with projected space deficiencies qualify for new schools and the proportion of pupils who would leave such districts versus all other districts under the bill is unknown. The timing of any potential savings in SFB-related costs under the bill likewise is difficult to predict because new schools are approved through a multi-year process that would not be immediately affected by the bill.

Local Government Impact

Under the "cost neutral" scenarios described above, K-12 equalization funding to local school districts and charter schools would be lower than under current law by an estimated \$25 million in FY 2007, \$39 million in FY 2008, and \$225 million in FY 2018. For most school districts, these funding losses would reduce General Fund costs rather than "local share" tax rates, since the latter are affected only by changes in tax rates and property values and neither of them would be affected by the bill.